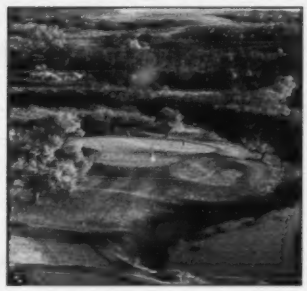
Ministry of Finance



Annual Report for 2015-16

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Government of Saskatchewan

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The Honourable
Kevin Doherty
Minister of Finance

Her Honour the Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

I respectfully submit the Annual Report of the Ministry of Finance for the fiscal year ending March 31, 2016.

Sincerely,

Kevin Doherty
Minister of Finance

Clare Isman
Deputy Minister
of Finance

The Honourable Kevin Doherty
Minister of Finance

May it Please Your Honour:

I have the honour of submitting the Annual Report of the Ministry of Finance for the fiscal year ending March 31, 2016.

Respectfully submitted,

Clare Isman
Deputy Minister of Finance
June 30, 2016

Introduction

This annual report for the Ministry of Finance presents the Ministry's results for the fiscal year ending March 31, 2016. It provides results of publicly committed strategies, key actions and performance measures identified in the *Ministry of Finance Plan for 2015-16*. It also reflects progress toward commitments from the Government Direction for 2015-16: Keeping Saskatchewan Strong, the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, throne speeches and the Ministry.

The annual report demonstrates the Ministry's commitment to effective public performance reporting, transparency and accountability to the public.

Alignment with Government's Direction

The Ministry's activities in 2015-16 align with Government's vision and four goals:

Saskatchewan's Vision

"... to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

- **Sustaining growth and opportunities for Saskatchewan people**
- **Meeting the challenges of growth**
- **Securing a better quality of life for all Saskatchewan people**
- **Delivering responsive and responsible government**

Together, all ministries and agencies support the achievement of Government's four goals and work toward a secure and prosperous Saskatchewan.

Ministry Overview

Mandate Statement

The Ministry is responsible for oversight of Government revenue, expenditures, and assets. Finance is the lead ministry for fiscal policy; budget development and integrity; managing provincial debt; designing and administering fair, efficient and competitive tax regimes; pension and benefit administration; labour relations advice to Government; ensuring accountability to both the public and the Legislative Assembly for the use of public funds; and ensuring effective financial management and accounting policies and procedures.

Mission Statement

The Ministry of Finance supports excellence in governance and public administration through economic, financial and fiscal expertise, leadership and services.

Ministry Role

The Ministry of Finance plays a unique role in the affairs of the Province of Saskatchewan. As a central agency, the Ministry is responsible for advising the Government on financial implications associated with policy decisions that span across all ministries and agencies.

The Ministry, with direction from Treasury Board and Cabinet, assists in managing and controlling the finances of the province to ensure appropriate use of public funds. The Ministry also analyzes and provides advice on tax policy matters, ensuring a fair and competitive tax regime that supports the Government's spending and debt strategies.

These responsibilities are accomplished while maintaining a close working relationship with the federal government, provincial governments across the country, and other government bodies within the province to effectively address financial issues of mutual concern.

The Ministry of Finance is responsible for receiving the majority of revenues for the Government of Saskatchewan. These include revenues from taxation, transfers from government entities, such as the Crown Investments Corporation of Saskatchewan, and transfers from the federal government. Payments are disbursed through the Ministry to fund public services such as health care, education and road maintenance.

The Ministry provides services directly to the public by administering provincial tax programs, including the Provincial Sales Tax (PST), and undertaking communication initiatives to keep the public informed about finance-related issues. The Ministry also provides advice, governance and administration services to pension and benefit plan boards and participating employers. Payment and support services are provided to active and retired plan members.

Finance's full-time equivalents (FTE) budget for 2015-16 was 325.4 compared to an actual FTE utilization of 316.3. The variance of 9.1 FTEs was due to vacancies.

Staff are primarily located in Regina, with regional offices in Saskatoon and Yorkton.

A complete listing of all publications produced by the Ministry of Finance and the Public Employees Benefits Agency can be found at: www.saskatchewan.ca/finance and http://peba.gov.sk.ca.

Progress in 2015-16

Government Goals

Sustaining growth and opportunities for Saskatchewan people

Meeting the challenges of growth

Securing a better quality of life for all Saskatchewan people

Delivering responsive and responsible government

Strategic priorities from the *Saskatchewan Plan for Growth*: investing in infrastructure and planning for growth; tax competitiveness; and building a competitive business environment

Ministry Goal

Support government decision making with expertise and leadership

Key Actions and Results

Continue to increase knowledge and capacity related to summary budgeting and reporting and implement changes required to the planning, budgeting and reporting process.

- ⇨ 2015-16 was the second year for preparing the Government's budget on a summary basis.
- ⇨ The Ministry provided direction, feedback and support to ministries and agencies throughout government on their planning, budgeting, performance management and reporting efforts.
- ⇨ The Financial Statements for Government have been prepared on a summary basis since 1992. Preparation of the Summary Financial Statements (SFS) includes the consolidation of the financial results of about 150 Government organizations. The Ministry worked with all entities that are consolidated into the Financial Statements to address any technical accounting issues that arose.
- ⇨ During the year, training was delivered to further the understanding of how executive government ministries' transactions impact the SFS and the summary budget.

Continue policy review in the areas of risk management, retirement income and internal audit and implement recommendations as approved.

- ⇨ The Ministry worked with ministries and Treasury Board Crown corporations to develop a risk management framework.
- ⇨ The framework is currently being implemented on a pilot basis with three ministries and one Treasury Board Crown corporation. Implementation will continue into 2016-17.
- ⇨ In December 2015, Finance Ministers announced that the 2013-2015 Triennial Review of the Canada Pension Plan was complete, and confirmed that the Plan is sustainable over the long term.
- ⇨ Coming out of the Federal-Provincial-Territorial Finance Ministers' Meeting in December 2015, work was done to update the assessment of retirement income adequacy of Canadians and develop CPP enhancement options for consideration by Ministers at their June 2016 meeting.
- ⇨ Saskatchewan proclaimed the *Pooled Registered Pension Plan Act* and regulations on May 1, 2016.
- ⇨ Saskatchewan is one of the signatories of a multi-lateral agreement with the federal government and three other provinces which will ensure efficient regulation and supervision of Pooled Registered Pension Plans (PRPPs). Once the multi-lateral agreement comes into force in mid-2016, PRPPs are expected to be available for Saskatchewan workers.
- ⇨ Work has continued on a project to review the Government's approach to internal audit across executive government, make recommendations regarding the function of internal audit, and implement changes if required. This work will continue into 2016-17.

Lead, coordinate and support the continued transformation of the Planning and Accountability Management System and program review across government.

- Use of the Planning and Accountability Management System began in May 2014.
- The Ministry led a project team that is implementing recommended improvements to the planning, budgeting and reporting process and outcomes. Implementation of the recommendations will continue through 2016-17.
- The Ministry continued to gather feedback and provided direction, guidance and support to ministries and agencies to improve program review processes and results. Each ministry has a program review schedule and reports once a year to the Deputy Minister Committee and to Treasury Board on progress and on highlights from completed program reviews. Program review results are informing ministry plans and budgets.

Work with ministries and agencies to develop and analyze budget options that align with Government's priorities.

- This work is ongoing with analysis and advice brought forward to Treasury Board and Cabinet during each budget development cycle.
- All ministries were required to develop plans that align with Government's vision, goals, commitments and priorities.
- Steps were taken to better demonstrate alignment of expenditures with Government priorities and to ensure that Government commitments and other funding priorities were managed within available resources.

Work with SaskBuilds, ministries and others on innovative financing, design and delivery of the Government of Saskatchewan Capital Plan.

- Saskatchewan's first Public-Private-Partnership (P3) project – The Meadows long-term care facility in Swift Current – has completed construction and will commence operations in 2016-17.
- 2015-16 represented the first year of the Saskatchewan Builds Capital Plan, and saw nearly $1.2 billion of investment in provincial infrastructure. Additionally, significant progress was made in the advancement of Government's integrated capital planning framework, including increased utilization of pre-planning activities and the development of a standard planning process.

Provide guidance and advice to promote the use of a market-based compensation approach to ensure timely settlement of competitive collective agreements within the parameters established by Cabinet.

- All public sector and quasi-public sector employers have had success in implementing market-based/market competitive concepts in collective agreement settlements.
- At the end of 2015-16, 37 out of 39 collective agreements in the broader public sector were concluded.

Work with ministries and the federal government to develop fair and effective federal/provincial agreements that address common interests.

- This work is intended to ensure that financial implications of federal/provincial agreements are properly accounted for and have received appropriate approval.
- During 2015-16, approximately 30 federal/provincial fiscal agreements were reviewed and proceeded to Cabinet for approval.

Participate in ongoing discussions with federal, provincial and territorial governments on issues related to the major intergovernmental fiscal arrangements, including transfers in support of health care, post-secondary education and social programs.

- The Ministry acts as the Government's principal contact with the federal government on major intergovernmental fiscal transfers, including the Canada Health Transfer (CHT), Canada Social Transfer (CST) and Equalization. Although the federal government holds consultations with provinces and territories on an ongoing basis, no formal agreement with provinces or territories is required.
- In 2015-16, Saskatchewan received $1.489 billion in federal funding in support of health and social programs through the CHT and CST. Saskatchewan did not receive Equalization funding.

Review provincial tax policies to ensure they align with the priorities and actions set out in the *Saskatchewan Plan for Growth* and that specific policies and actions are affordable within a balanced budget.

- This work is ongoing with analysis and advice brought forward to Treasury Board and Cabinet during each budget cycle.
- Several initiatives were announced in the 2015-16 Budget, including:
  - Income-test the Active Families Benefit to better target the program to those families most in need of support;
  - Convert the Graduate Retention Program to fully non-refundable tax credits to better align the program with recruitment and retention of graduates in support of expanding the Saskatchewan labour force;
  - Introduce an M&P Exporter Tax Incentive to encourage the creation of new jobs in support of increasing Saskatchewan's exports;

- Introduce a Primary Steel Production Incentive to encourage new capital investment in the M&P sector; and,
- Convert the R&D Tax Credit to fully non-refundable in recognition of fiscal constraints.

⇨ Legislation to implement each of these initiatives was tabled in April 2015 and passed by the Legislative Assembly in May 2015.

Performance Measures

Income and Sales Taxes paid by Representative Taxpayers

Saskatchewan Income and Sales Taxes Paid by Representative Taxpayers										
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Single-parent family earning $25,000	$176	$20	$(177)	$(128)	$(168)	$(182)	$(178)	$(187)	$(194)	$(194)
One-income family earning $50,000	$3,679	$2,207	$2,098	$1,858	$1,471	$1,277	$1,186	$1,117	$1,003	$925
Two-income family earning $75,000	$6,096	$4,710	$4,601	$4,571	$4,117	$3,965	$3,923	$3,874	$3,780	$3,768

Source: Ministry of Finance, Tax Simulation Models

Saskatchewan's tax levels for representative taxpayers reflect the amount of after-tax or disposable income available to residents. Declining tax levels therefore suggest improvements in the relative prosperity of residents. A negative tax level indicates that refundable tax credits exceed taxes payable.

The calculations upon which the performance measurements are based use internal tax simulation calculations. Each of the measures is based on determining combined provincial income and sales taxes payable by representative family profiles.

For each family profile, provincial income taxes are calculated based on the following assumptions:

- ⇨ each family has two dependent children;
- ⇨ for the two-income family, one spouse earns 60 per cent of the total income and the other earns 40 per cent;
- ⇨ the single-parent family and the two-income family claim $3,000 in deductible child care expenses; and
- ⇨ each family claims available basic personal exemptions, dependent child credits and credits for Canada Pension Plan and Employment Insurance contributions.

The PST is calculated based on average family expenditure baskets from the Survey of Family Expenditures in 2014 (Statistics Canada). The refundable Saskatchewan Low-Income Tax Credit is also incorporated into the calculations.

Since 2007, reductions to Saskatchewan's sales and income taxes have significantly improved the competitiveness of the provincial tax system.

Interprovincial Tax Comparisons for Selected Average Family Profiles

Saskatchewan's Tax Competitiveness Rankings for Representative Taxpayers										
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Single-parent family earning $25,000	3rd	2nd	2nd	2nd	1st	2nd	2nd	2nd	2nd	2nd
One-income family earning $50,000	3rd	2nd	2nd	2nd	2nd	2nd	2nd	1st	1st	1st
Two-income family earning $75,000	4th	3rd	3rd	2nd	2nd	2nd	2nd	2nd	2nd	2nd

Source: Ministry of Finance, Tax Simulation Models

Saskatchewan's interprovincial ranking with respect to the tax levels of representative taxpayers reflects the competitiveness of our tax system. This measure can be significantly impacted by tax changes initiated in Saskatchewan and by tax changes occurring in other provinces.

The calculations upon which the performance measurements are based use the same methodology as described in the measure examining income and sales taxes paid by representative taxpayers.

- ⇨ Quebec's income tax calculations are adjusted for the child care expense tax credit and the 16.5 per cent federal tax abatement.
- ⇨ Provincial sales taxes are calculated based upon average family expenditure baskets from the Survey of Family Expenditures in 2010 (Statistics Canada). The sales tax base in each province is identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial sales taxes are then estimated based on taxable expenditures in each province.
- ⇨ Refundable provincial income tax credits designed to reduce the impact of income and sales taxes are also incorporated into the calculations.

Government Goals

Sustaining growth and opportunities for Saskatchewan people

Meeting the challenges of growth

Securing a better quality of life for all Saskatchewan people

Delivering responsive and responsible government

Strategic priorities from the *Saskatchewan Plan for Growth*: commitment to balancing the budget and retiring debt; and smaller, more effective government

Ministry Goal

Support excellence in governance and ensure accountability and compliance through our policies, frameworks, reporting and oversight

Key Actions and Results

Provide government-wide reporting though Public Accounts and annual reports, including reporting on the *Saskatchewan Plan for Growth* goals.

- ⇨ The Government's financial statements demonstrate accountability for the resources, obligations and financial affairs for which the Government is responsible. Continued strong financial reporting through timely, reliable and relevant financial statements is essential to strong accountability.
- ⇨ The Ministry is responsible for the preparation and release of the Public Accounts in accordance with *The Financial Administration Act, 1993*. Volume 1 contains the audited SFS for the Province and related financial statement discussion and analysis. Volume 1 was tabled in the Legislative Assembly on June 26, 2015. Volume 2 contains General Revenue Fund (GRF) financial schedules and details, a reconciliation of GRF results to the SFS results, and other Supplementary Information. Volume 2 was tabled on October 29, 2015. The Public Accounts are available for public viewing at: http://finance.gov.sk.ca/public-accounts/

Work with other ministries to develop and incorporate metrics that are aligned with the *Saskatchewan Plan for Growth*.

- ⇨ The Ministry provides guidelines and templates for preparation of annual reports by all ministries, Treasury Board Crowns and agencies. These guidelines include advice for developing and incorporating metrics aligned to Government direction, including the *Saskatchewan Plan for Growth*, the Throne Speech, etc. Ministries prepare annual reports to report progress made on the annual plan. The Ministry of Finance reviews all annual reports. The annual reports are tabled with the Legislature in accordance with *The Executive Administration Act*. All annual reports are available for public viewing at: http://www.finance.gov.sk.ca/PlanningAndReporting/reports/

Review current government reporting to ensure it meets priorities, needs and relevance.

- ⇨ The Ministry provided guidelines, templates and consultation for continuous improvement and annual plans, measures and annual reports. Continuous improvement opportunities identified are being pursued within the Planning and Accountability Management System, the performance management portion of the Management System is being worked on for improvement in 2016-17. Ministries provide to the public information on what they plan to do, how they will measure success and then reporting on what was achieved.

Ensure government-wide financial management policies and procedures are sound and the accounting policies are in accordance with Public Sector Accounting Board (PSAB) pronouncements.

- ⇨ Accounting policies continue to evolve and have implications for the Government. The Ministry promotes accountability by providing input into the activities of Canadian and international accounting standard setting bodies and ensuring government-wide accounting policies are in accordance with PSAB standards. PSAB activities were closely monitored and feedback was provided on new and revised standards including PSAB's conceptual framework, Revenue, P3s, Employment Benefits, Asset Retirement Obligations, Financial Instruments, and International Public Sector Financial Reporting Standards. The Ministry is working toward the implementation of new standards for Related Party Disclosures, Assets, Contingent Assets and Contractual Rights effective April 1, 2017.
- ⇨ The Ministry reviews the financial statements of entities and funds that are required to be tabled before the Legislative Assembly to ensure that disclosure is adequate and accounting policies are appropriate (this excludes the financial statements of entities responsible to the Crown Investments Corporation of Saskatchewan). The financial statements of 128 government entities were approved.

- ⇨ The Financial Administration Manual (FAM) communicates to ministries and public agencies, policies, procedures, and guidance necessary to support sound financial management and control of and accounting for public resources. The Ministry develops and proposes revisions to Treasury Board policies and Provincial Comptroller directives in FAM as required. The Ministry is focusing efforts to make FAM more principle based and to provide for greater efficiencies. A number of changes were made and this work will continue in 2016-17.
- ⇨ The Ministry looks for significant deficiencies in financial programs/systems by conducting internal control reviews. Ministry programs and payments were audited using a risk-based approach. On a quarterly basis, the Ministry publicly reported losses of public money in ministries and Treasury Board Crowns.
- ⇨ Management of the government-wide purchase card (P-card) program demonstrates the support of good governance. Reduced administration and processing associated with the acquisition of high volume, low value goods and services is balanced with sound controls. The Ministry worked to ensure that ministries used P-cards to make at least 75 per cent of P-card eligible purchases.
- ⇨ The Provincial Auditor of Saskatchewan independently assesses Government's performance and provides recommendations to improve accountability practices.

Promote compliance with Saskatchewan's tax programs through taxpayer education and responsible, effective enforcement.

- ⇨ The Ministry continues to provide quality service and accessible, reliable information as committed to in the Taxpayer Service Commitments and Standard Code.
- ⇨ Presentations and feedback sessions were provided to a number of industry associations and groups to educate and promote compliance with tax programs.
- ⇨ A number of tax bulletins, information notices and rulings were updated and issued to help businesses better understand the tax rules. A number of the updates were completed based on feedback from business or in conjunction with the business association.
- ⇨ Over 1,240 proactive, on-site business visits and telephone calls were conducted to review compliance, answer tax questions, and provide clarification on how tax applies to specific business transactions.

Provide communications strategies that deliver timely, relevant and effective information for external audiences.

- ⇨ The Ministry plays a key co-ordination role across Government entities in the public communication of financial information including but not limited to the Provincial Budget, quarterly financial reports and the Public Accounts.

Improve relevance of policies and frameworks reflecting leading practices, alignment to client need, our culture and values.

- ⇨ Through replacement of the revenue management system, the Ministry will be implementing process improvements that will improve service to 60,000 businesses and 32,000 farmers operating in Saskatchewan.

Develop improved policies and processes to support the Ministry's operations, including a governance policy for information technology solutions.

- ⇨ In 2015-16, the Ministry implemented an Information Technology Management Committee (ITMC) in alignment with new governance policies across Government. The role of ITMC is to oversee information technology projects and investments.

Performance Measures

Benefit-Cost Ratio of Audit and Compliance Activities

Fiscal Year	Return on Investment	
	Target	Adjusted Actual
2015-16	380%	699%
2014-15	380%	470%
2013-14	380%	587%

Source: Ministry of Finance, Revenue Division, Statistical Reports

The Ministry has increasingly placed more emphasis on promoting voluntary compliance of consumption tax statutes through education and outreach. The audit program remains an important tool to promote compliance with the province's tax laws and to ensure equity and fairness for all businesses operating in Saskatchewan.

The benefit-cost ratio (BCR) measures the value of audit and compliance activities in relation to the costs of performing these activities. In 2015-16, the Ministry achieved a BCR of 699 per cent, above the target of 380 per cent.

This means for each dollar spent on audit and compliance, the Ministry generated $6.99 of incremental revenue to be used for Government priorities, including; health care, education, social services and assistance as well as needed infrastructure like highways, schools and health care facilities.

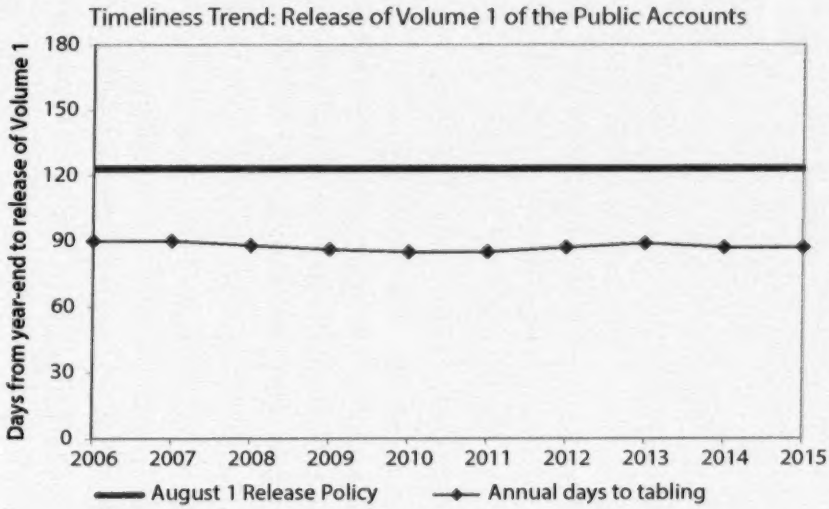
Timeliness of the Release of Public Accounts, Volume 1

The Public Accounts are key financial accountability documents that are publicly released on an annual basis. Timeliness of financial statements contributes to Government's accountability and demonstrates the Ministry's leadership for good governance, transparency and accountability across government. Under *The Financial Administration Act, 1993*, the Public Accounts must be tabled on or before October 31. The Government has established a policy of tabling Volume 1 of the Public Accounts no later than August 1. For the last several years, the Government has tabled Volume 1 in June. Public Accounts 2014-15, Volume 1, was released on June 26, 2015.

Percentage of Entities Meeting Tabling Deadline

Fiscal Year	Percentage of Entities Meeting Tabling Deadline
2015-16	95%
2014-15	93%
2013-14	89%
2012-13	94%
2011-12	91%
2010-11	86%
2009-10	86%
2008-09	77%
2007-08	76%
2006-07	84%

Source: Legislative Assembly of Saskatchewan website



Source: Saskatchewan Public Accounts

The financial statements of Government entities are prepared pursuant to their enabling legislation. Pursuant to *The Executive Government Administration Act*, entities are required to table their financial statements within 120 days of their year-end. The Ministry, on behalf of Treasury Board, provides approval of the form and content of the financial statements in advance of the tabling. Finance helps ensure Government entities table their financial statements on time through clear communication of tabling deadlines and by monitoring compliance with tabling deadlines. The Ministry's role contributes to timely, reliable and relevant financial reporting by Treasury Board Crowns and agencies and demonstrates the Ministry's leadership for good governance, transparency and accountability across Government.

Public Service as a Percentage of the Saskatchewan Population

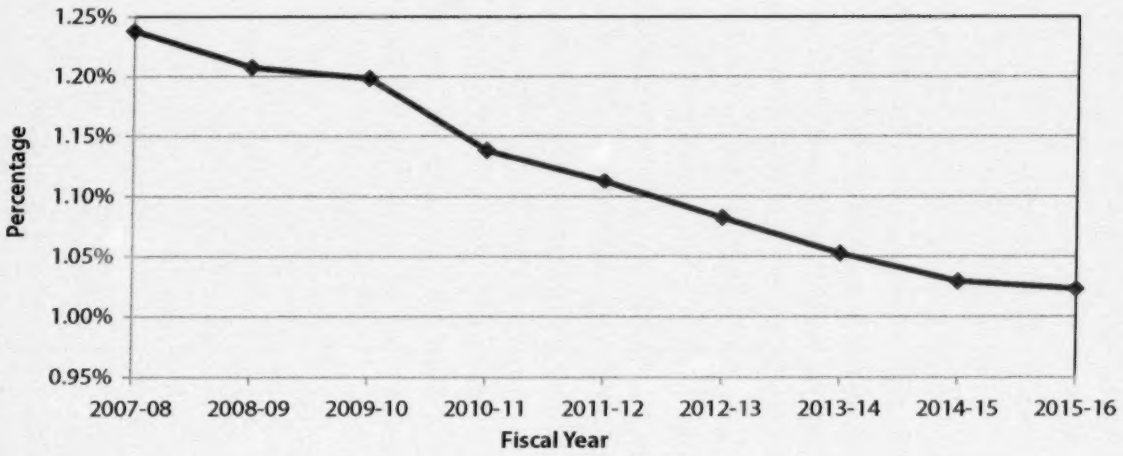
	Public Service as a Percentage of the Saskatchewan Population								
	2007-08 (Base Year)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Population at July 1[1]	1,002,048	1,017,346	1,034,782	1,051,425	1,066,349	1,087,223	1,106,122	1,122,283	1,133,637
Public Service FTEs[2]	12,405	12,284	12,400	11,967	11,863	11,768	11,644	11,553	11,600
Public Servce as Percentage of Population	**1.24%**	**1.21%**	**1.20%**	**1.14%**	**1.11%**	**1.08%**	**1.05%**	**1.03%**	**1.02%**

[1] *Population numbers are revised from Statistics Canada, as of July 1 of the fiscal year. This data is available on the Bureau of Statistics website (www.stats.gov.sk.ca).*
[2] *Public Service is defined under* The Growth and Financial Security Act *as those employed under* The Public Service Act, 1998.

The Growth and Financial Security Act (GFSA) requires Treasury Board to monitor the size of the public service and determine if it is increasing or decreasing in relation to the size of the province's population. The GFSA, and the requirement to monitor the ratio, will be repealed during the current Legislative Session.

The 2015-16 actual ratio of 1.02 per cent is a 22 basis point decline from the 2007-08 baseline.

Public Service as a Percentage of the Saskatchewan Population



Government Goals

Sustaining growth and opportunities for Saskatchewan people

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Delivering responsive and responsible government

Strategic priorities from the *Saskatchewan Plan for Growth*: commitment to balancing the budget and retiring debt; and smaller, more effective government

Ministry Goal

Programs and services meet client needs effectively and efficiently

Key Actions and Results

Continue to implement the replacement of the Revenue Management System.

- ⇨ The Revenue System Replacement Project is a four-year project.
- ⇨ 2015-16 has been a significant year with much of the infrastructure work completed. This work provides the foundation for the success of the project.
- ⇨ The new system will provide a single view of businesses across tax programs that will increase efficiency, enhance customer service, and provide improved self-service capabilities.
- ⇨ The Tobacco and Fuel Tax Programs will be the first tax programs to operate on the new system, with implementation planned for November 2016.

Undertake program reviews, implement recommendations and monitor outcomes.

- ⇨ The Ministry values continuous improvement efforts and always looks for better and more efficient ways to serve our clients and undertake our work.
- ⇨ As a key component of Public Service Renewal and of Government's accountability process, the Ministry of Finance uses program review to continuously improve its programs and services.

Develop and implement a Ministry Information Technology Plan to address business needs.

- ⇨ An information technology plan was approved and implementation of the plan began in 2015-16.

Review the Ministry's performance measures.

- ⇨ Performance measures included in the 2014-15 annual report were reviewed. Reporting measures were reduced to only those related to Ministry operations.
- ⇨ Review and refinement of performance measures will continue in 2016-17.

Identify and conduct process efficiency reviews, ensuring we understand client needs and applying LEAN methodologies and techniques.

- ⇨ The Ministry undertook seven LEAN events including work on process reviews to support the Revenue System Replacement Project, process improvements within the Ministry as well as continuous improvement events with other ministries within executive government.

Deliver financial management fundamentals training for public service employees to build financial management capacity in the public service.

- ⇨ The Ministry continued to support the Public Service Commission's delivery of training for new employees on effective financial management and control practices and to provide ongoing purchase card holder, approver and coordinator training for ministry employees.

Provide accounts payable and travel expense claim processing services for executive government and refine processes to maximize efficiencies.

- ⇨ The third full year of providing centralized accounts payable and travel expense claim processing services for executive government was successfully completed in 2015-16.
- ⇨ Refinements were initiated or introduced to further improve and streamline processing and client service, and ensure timeliness is maintained.

Provide cash management, investment and capital borrowing services for executive government, Crown corporations, and other government agencies.

- ⇨ Debt servicing is a continuous process. During 2015-16, all outstanding debt was serviced timely and accurately.
- ⇨ The Ministry ensured that the short-term cash requirements of Crown corporations and government agencies were met; and the Government was able to fund its ongoing cash requirements.

Provide advice, governance and administration services to pension and benefit plan boards and participating employers as well as payment and support services to active and retired plan members.

- ⇨ Annual assessments of governance initiatives and activities were undertaken, to ensure they align with best practices.
- ⇨ Quarterly reporting to governing bodies regarding performance in relation to service standards.
- ⇨ Annual strategic and risk management planning occurred during the year.
- ⇨ Access to information and tools for individual members for both pension balances and planning as well as information on benefit programs is available at: http://www.peba.gov.sk.ca/

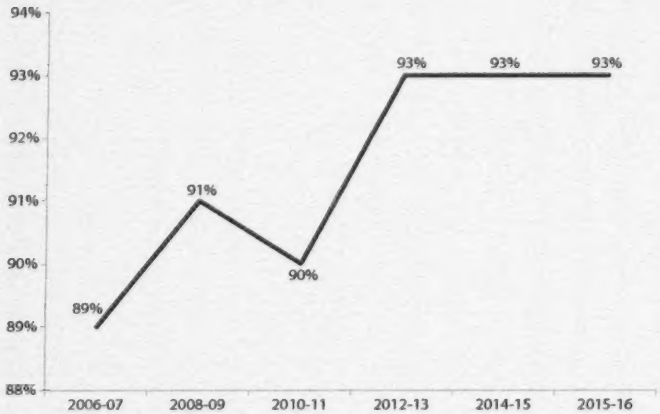
Provide support for public sector collective bargaining.

- ⇨ Ministry staff work with employers to assist in the development of mandate submission as well as with employers' negotiators to ensure adherence to approved mandates. Public sector employer cooperation in sharing collective agreement information and bargaining strategies is encouraged.

Performance Measures

Client Satisfaction of Businesses which Collect Taxes on Behalf of Government

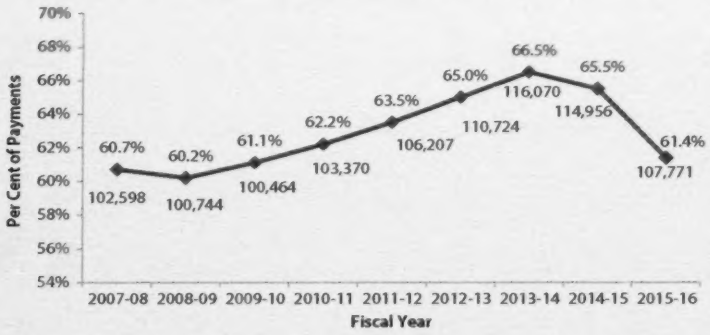
Overall Client Satisfaction



The Ministry is committed to conducting biennial satisfaction surveys of businesses collecting taxes on behalf of the Government. This measures whether these clients are satisfied with Finance's quality of services and timeliness of responses, refunds and adjustments. This allows businesses to evaluate Finance's performance and helps Finance to determine potential improvements for the timeliness of responses, refunds and adjustments.

In 2014, surveys were sent to 531 businesses based on a random sample of businesses that collect PST, Fuel Tax, Tobacco Tax and Corporation Capital Tax. The biennial client satisfaction survey will be conducted again in 2016-17 as a means of measuring client satisfaction.

Percentage of Tax Payments Processed Electronically



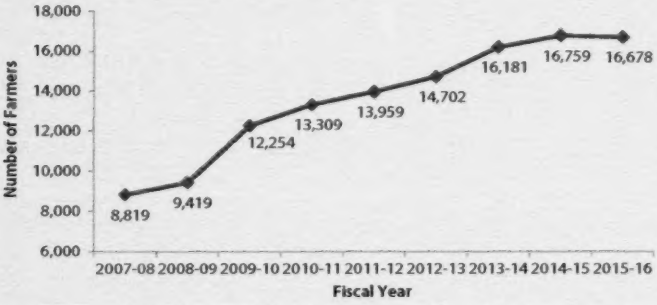
The Ministry strives to provide excellent client services by ensuring that businesses have access to all electronic options for making tax payments. The percentage of tax payments processed electronically measures how well the Ministry is meeting its objective of streamlining regulatory compliance. Businesses that use electronic methods to make payments are able to save time and money on regulatory compliance and channel their resources to other activities. In addition, the Ministry realizes a reduction in the cost of processing payments when the tax return and payment are received electronically. The measure is determined from internal statistical reports.

The Ministry continuously works with financial institutions to ensure that businesses are able to make tax payments through any of the financial institutions' electronic payment services that provide sufficient payee information. The percentage of tax payments processed electronically has grown over time, and efforts to promote the use of electronic services will continue. However, Finance has limited influence over this measure as many businesses have internal controls that only permit issuance of cheques and some businesses simply prefer to issue a cheque.

The percentage of tax payments processed electronically for 2015-16 decreased by 4.1 per cent. The decrease is primarily due to the continued trend of financial institutions no longer accepting tax payments under the Acceptance of Payments Agreement. While some businesses affected have converted to other forms of electronic payment services, some have reverted back to non-electronic processes.

Number of Farmers that applied for Fuel Tax Permit renewals online

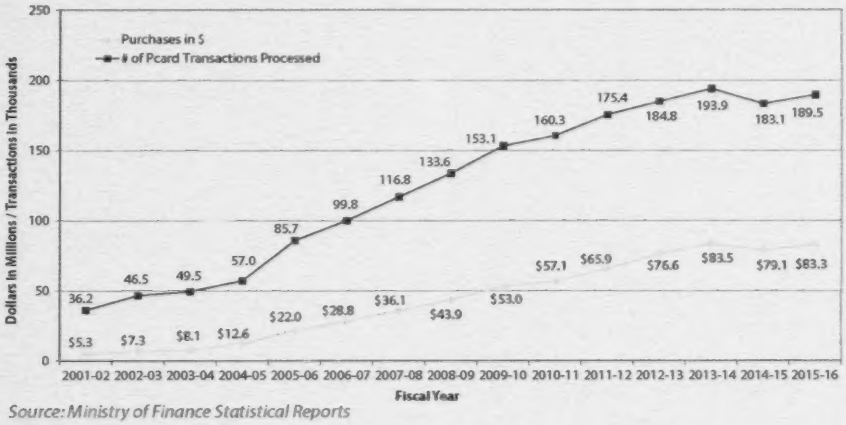
Number of Farmers Using SETS



Saskatchewan Electronic Tax Services (SETS) offers farmers a secure, fast and convenient alternative to filing their Fuel Tax exemption permit renewal in paper format. The number of farmers that filed permit renewals online tracks Finance's progress towards easing tax compliance and reducing the regulatory burden.

As a result of a Lean project completed in 2012-13, recommendations were implemented to provide efficiencies in the administration of the Farm Fuel Program. Through the automation of manual processes and reallocation of resources, processing timeliness and client service have and will continue to improve. The Ministry continues to promote SETS as it is more convenient for program applicants and it reduces the cost of program administration.

Purchase Card Usage in the Government



Source: Ministry of Finance Statistical Reports

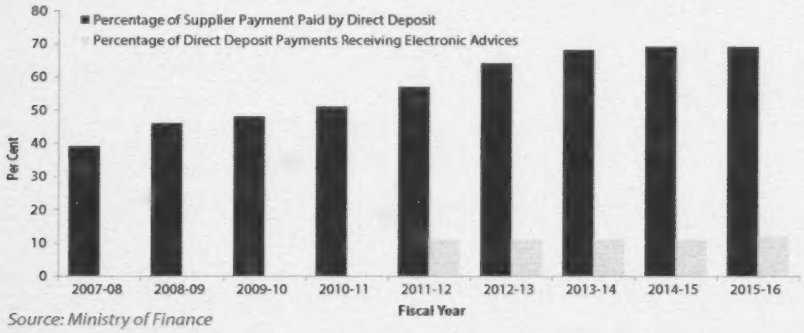
Purchase cards are a cost-effective way of making payments. Through the use of purchase cards, the Government is able to reduce administration and costs associated with the processing and payment of low dollar value purchases of goods and/or services up to a $10,000 per transaction limit.

The total number and dollar value of purchase card transactions provides a measure of the level of efficiency being achieved.

For 2015-16, the number of purchases reached 189,485 transactions totaling

$83.3 million. This is a significant improvement from the inception of the purchase card program. The Ministry believes a significant reason for the increase in usage from the prior year is attributable to an increased effort to increase usage through review of all Government-paid suppliers and their ability to be paid using the purchase cards, despite being in a time of fiscal restraint since fourth quarter 2014-15. The Ministry continues to work to improve the usage across Government, which contributes to the best use of public funds.

Direct Deposit and Electronic Advice Usage for Supplier Payments



Source: Ministry of Finance

Continued improvements in the efficiency of the Government's payment processes through the use of direct deposit and electronic advices, contributes to the best use of public funds. This is an ongoing program that started in 2007-08. In the nine years that the measure has been reported, direct deposits have increased from 38 per cent to 69 per cent. Commencing in 2011-12, electronic advices were offered as an option to paper. Currently, 11 per cent of the direct deposit payment advices are distributed electronically.

The Ministry continues to pursue the elimination of cheques and paper advices. The uptake of both these initiatives is dependent on acceptance by suppliers. The use of electronic advices is also limited by the availability of the Internet to suppliers.

Government Goals

Sustaining growth and opportunities for Saskatchewan people

Meeting the challenges of growth

Securing a better quality of life for all Saskatchewan people

Delivering responsive and responsible government

Strategic priorities from the *Saskatchewan Plan for Growth*: commitment to balancing the budget and retiring debt; and smaller, more effective government

Ministry Goal

The Ministry is an employer of choice

Key Actions and Results

Continue to implement the Ministry's Culture Sustainment Plan.

- ⇨ In September, the Ministry launched @Finance, a new intranet site as part of the Plan's objective to help improve internal communication.
- ⇨ An employee recognition program is being developed, to be launched in 2016-17.

Monitor and improve ministry/divison/branch and individual plans to ensure alignment to the *Saskatchewan Plan for Growth*, Government direction, and the Ministry mandate.

- ⇨ Government's Planning and Accountability Management System was presented to all staff within the Ministry so that they could gain an understanding of how ministry/division/branch and their individuals plans align with Government's direction.
- ⇨ The Ministry actively monitored the performance and accomplishments of the Ministry-wide plan.

Develop a Ministry Human Resources Plan.

- ⇨ Work began in 2015-16 on a strategic workforce plan. The plan will be completed in fiscal 2016-17.

Performance Measures

Work on performance measures will begin in 2016-17.

2015-16 Financial Overview

Ministry of Finance Appropriation and Expense

Program	(in thousands of dollars) 2015-16 Budget	2015-16 Actual	2015-16 Variance	
Central Management and Services	6,515	6,286	(229)	1
Treasury and Debt Management	2,126	1,910	(216)	2
Provincial Comptroller	11,464	9,284	(2,180)	3
Budget Analysis	5,420	4,980	(440)	4
Revenue				
Revenue Division	26,422	23,138	(3,284)	5
Allowance for Doubtful Accounts	900	900	-	
CRA Income Tax Administration	1,435	1,435	-	
Commission to Collect Tax (Statutory)	9,000	10,104	1,104	6
Personnel Policy Secretariat	503	470	(33)	
Miscellaneous Payments				
Bonding of Public Officials	45	20	(25)	
Unforeseen and Unprovided For	10	-	(10)	
Implementation of Guarantees (Statutory)	15	-	(15)	
Pension and Benefits				
Public Service Superannuation Plan (Statutory)	137,510	131,790	(5,720)	7
Members of the Legislative Assembly – Pensions and Benefits (Statutory)	3,015	2,401	(614)	8
Judges' Superannuation Plan (Statutory)	5,762	5,938	176	9
Public Employees Pension Plan	65,005	65,486	481	10
Canada Pension Plan – Employer's Contribution	29,931	28,967	(964)	11
Employment Insurance – Employer's Contribution	15,034	14,406	(628)	12
Workers Compensation – Employer's Assessment	10,058	10,565	507	13
Employees' Benefits – Employer's Contribution	36,487	36,103	(384)	14
Services to Public Service Superannuation Plan (PSSP) Members	1,082	1,010	(72)	
Public Employees Benefits Agency Revolving Fund – Subsidy	-	-	-	
Appropriation	**367,739**	**355,193**	**(12,546)**	
Less: Capital Asset Acquisitions	($11,000)	($8,715)	$2,285	15
Add: Capital Asset Amortization	608	463	(145)	16
Expense	**357,347**	**346,941**	**(10,406)**	

Overview of Ministry Expense

In 2015-16, the Ministry had expenses of $346.9 million, $10.4 million under the Budget Estimate of $357.3 million. Excluding pensions and benefits, the Ministry spent $50.3 million, $3.2 million under the Budget Estimate of $53.5 million, primarily a result of under expenditures in salaries due to vacancies and other operating expenses.

Spending for pensions and benefits was $296.7 million, $7.2 million under the Budget Estimate of $303.9 million. This decrease was due to lower-than-anticipated costs under the PSSP, as well as lower than anticipated salaries across Government. These decreases were partially offset by higher than anticipated costs under the Judges Superannuation Plan.

Explanation of Major Variances from 2015-16 Actuals to 2015-16 Budget:

1. Lower-than-anticipated accommodations costs.
2. Lower-than-anticipated system consulting and support costs, and investing expenses.
3. Lower salaries due to vacancy management, as well as reduced central financial system support costs and operating expenses.
4. Lower salaries due to vacancy management, as well as reduced operating expenses.
5. Lower salaries due to vacancy management, as well as deferral of central revenue system upgrades due to pending replacement, reduced operating expenses and some costs for the Revenue Management System Project were deferred to future years.
6. Increased commissions as the number of Provincial Sales Tax vendors increased more than anticipated.
7. Decreased costs due mainly to lower-than-anticipated superannuation allowances paid to retirees and fewer retirements than anticipated.
8. Decreased costs due mainly to reduced pension retirement allowances and decreased Supplementary Retirement Plan payouts.
9. Increased costs due mainly to more retirements than anticipated.
10. Increased costs due to higher-than-anticipated employer pension contributions.
11. Decreased costs due to lower-than-anticipated salaries across Government.
12. Decreased costs due to lower-than-anticipated salaries across Government.
13. Increased costs due to increases in the premium rate and the maximum insurable salary.
14. Decreased costs due to lower-than-anticipated salaries across Government.
15. Decreased costs as some costs for the Revenue Management System Project were deferred to future years, as well as other costs that were budgeted as capital asset acquisitions were recorded as expenses.
16. Lower-than-anticipated amortization costs due to some assets becoming fully depreciated.

Ministry of Finance Revenue

Source	(in thousands of dollars) 2015-16 Budget	2015-16 Actual	2015-16 Variance
Corporation Income Tax	917,900	1,002,546	84,646
Fuel Tax	544,100	479,259	(64,841)
Individual Income Tax	2,625,400	2,537,349	(88,051)
Provincial Sales Tax	1,420,800	1,288,921	(131,879)
Tobacco Tax	270,300	263,686	(6,614)
Other Taxes	357,100	370,033	12,933
Taxation	**6,135,600**	**5,941,794**	**(193,806)**
Resource Surcharge	386,700	400,636	13,936
Non-Renewable Resources	**386,700**	**400,636**	**13,936**
Crown Investments Corporation of Saskatchewan	150,000	150,000	
- Special Dividend	112,000	147,199	35,199
Saskatchewan Liquor and Gaming Authority	499,800	506,556	6,756
Other Enterprises and Funds	25,000	28,788	3,788
Transfers from Crown Entities	**786,800**	**832,543**	**45,743**
Investment Income	61,435	58,763	(2,672)
Motor Vehicle Fees	207,500	200,725	(6,775)
Other Fees and Charges	3,171	4,671	1,500
Miscellaneous	1,119	12,762	11,643
Other Own-Source Revenue	**273,225**	**276,921**	**3,696**
Canada Health Transfer	1,092,800	1,080,673	(12,127)
Canada Social Transfer	412,600	408,722	(3,878)
Other	2,268	3,205	937
Transfers from the Federal Government	**1,507,668**	**1,492,600**	**(15,068)**
Total Ministry of Finance Revenue	**9,089,993**	**8,944,494**	**(145,499)**

Revenue Overview

The Ministry of Finance collects revenue relating to taxation, non-renewable resources via the Resource Surcharge, transfers from government entities, investment income, motor license fees, transfers from the federal government and other smaller revenue sources. All revenue collected is deposited into the GRF.

In 2015-16, the Ministry collected $8.9 billion in revenue; $145.5 million (1.6 per cent) lower than the Budget Estimate.

The following section describes the Ministry's revenue sources and includes variance explanations for changes greater than $10 million.

Explanation of Major Revenue Variances

Corporation Income Tax

Corporation Income Tax (CIT) is administered on the province's behalf by the federal government using a common national determination of corporation taxable income. For a particular taxation year, the federal government makes instalment payments to the province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed. These reconciliations are accounted for approximately 15 months after the end of a taxation year (i.e. the adjustment payment for the 2014 taxation year was received by the GRF in the fourth quarter of 2015-16).

CIT revenue was higher than the Budget Estimate by $84.6 million, or 9.2 per cent, primarily due to higher-than-expected prior years' adjustment offset by downward revisions to the federal Corporate Taxable Income base forecast for 2015 and 2016.

Fuel Tax

Fuel Tax is levied on purchases of all types of fuel under the authority of *The Fuel Tax Act, 2000*. The tax ranges from a fixed rate of 1.5 cents per litre on aviation fuel to 15 cents per litre on gasoline and diesel. Saskatchewan provides a 100 per cent exemption for farm-use diesel fuel and diesel fuel used by primary producers in their off-road activities, as well as an 80 per cent exemption for farm-use unleaded gasoline purchased at bulk-fuel dealers. On-reserve retailers are also eligible to receive a refund of the Fuel Tax on eligible purchases by First Nation individuals, as are commercial aircraft carriers that purchase fuel for international flights.

Fuel Tax revenue was lower than the Budget Estimate by $64.8 million, or 11.9 per cent, primarily due to weaker-than-expected oil-sector activity and a resulting decrease in diesel consumption as well as lower-than-expected 2014-15 results and their impact on the 2015-16 base.

Individual Income Tax

Saskatchewan's Individual Income Tax is administered on the province's behalf by the federal government using a common national determination of taxable income. For a particular taxation year, the federal government makes instalment payments to the province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed. These reconciliations are accounted for approximately 15 months after the end of a taxation year (i.e. the adjustment payment for the 2014 taxation year was received by the GRF in the fourth quarter of 2015-16).

Individual Income Tax revenue was lower than the Budget Estimate by $88.1 million, or 3.4 per cent, primarily due to lower-than-expected growth in tax assessments for the 2015 tax year.

Provincial Sales Tax

The PST rate is a five per cent sales tax applied to the purchase, importation, or rental of certain goods and services. The value of the Saskatchewan Low-Income Tax Credit ($88.4 million in 2015-16) is deducted from PST revenue.

PST revenue was lower than the Budget Estimate by $131.9 million, or 9.3 per cent, primarily due to weaker-than-expected economic activity due to falling oil prices and lower oil-sector activity as well as lower-than-expected results in 2014-15 and their impact on the 2015-16 PST base.

Tobacco Tax

Tobacco tax is levied on purchases of all types of tobacco under the authority of *The Tobacco Tax Act, 1998*. A component of Saskatchewan's Tobacco Tax is the refund available to on-reserve retailers for eligible purchases by First Nations individuals.

Other Taxes

Other Tax revenue collected by the Ministry of Finance includes Corporation Capital Tax (CCT), Liquor Consumption Tax (LCT), Insurance Premiums Tax, Motor Vehicle Insurance Premiums Tax, and Fire Prevention Tax. CCT is a tax levied on Crown corporations and financial institutions on the amount of paid-up capital in excess of $10.0 million. An additional exemption of up to $10.0 million is available to corporations depending on the proportion of total wages and salaries that are paid in Saskatchewan. LCT is a 10 per cent tax on the total selling price of beer, wine and spirits. The various insurance taxes collected by the Ministry are primarily a levy on premiums, ranging from one to four per cent.

Other Tax revenue was higher than the budget estimate by $12.9 million, or 3.6 per cent, primarily due to a $6.8 million increase in Insurance Premiums Tax, due to increases in the value of insured property, a $3.2 million increase in CCT, primarily due to higher instalment payments from Crown corporations, a $2.0 million increase in LCT, a $0.6 million increase in Fire Prevention Tax, and a $0.3 million increase in Motor Vehicle Insurance Premiums Tax.

Resource Surcharge

The Resource Surcharge, levied under *The Corporation Capital Tax Act*, is charged against the value of resource sales of large resource corporations.

Resource Surcharge revenue was higher than the Budget Estimate by $13.9 million, or 3.6 per cent, primarily due to higher-than-budgeted payments from the potash and uranium sectors despite lower resource prices.

Crown Investments Corporation of Saskatchewan (CIC)

The regular CIC dividend is reviewed annually by Cabinet and the CIC Board, considering the financial requirements of both the GRF and Crown corporations. Any special dividend paid by CIC to the GRF is generally related to a one-time event, such as to fund a specific project.

The CIC special dividend was higher than the Budget Estimate by $35.2 million or 31.4 per cent, almost entirely due to a $35.0 million unbudgeted dividend related to the change in the CIC year-end that added three months of activity to CIC's current fiscal year.

Saskatchewan Liquor and Gaming Authority

The Saskatchewan Liquor and Gaming Authority (SLGA) dividend to the GRF is based on the net income of the Authority. The SLGA is responsible for the distribution, operation and regulation of liquor and gaming activity in the province, including responsibility for the Saskatchewan Indian and Gaming Authority (SIGA). Dividends from SLGA consist of retail liquor net income, gaming (VLT) net income and SIGA net income.

Other Enterprises and Funds

Other Enterprises and Funds include dividends paid to the GRF by other government enterprises and special funds. This includes half of Saskatchewan Gaming Corporation (SGC) net income, combined with one-time dividends from other government entities.

Investment Income

Investment Income includes interest received on bank deposits, sinking fund earnings, interest on advances, investments and accounts receivable and certain amounts recovered from Crown corporations.

Motor Vehicle Fees

Revenue from this source includes motor vehicle license, fees and registrations, and is collected by Saskatchewan Government Insurance (SGI) on behalf of the province. It does not include any insurance portion of vehicle plating costs.

Other Fees and Charges

Other Fees and Charges revenue at the Ministry of Finance consists of annual licence and decal fees collected from inter-jurisdictional truckers under the International Fuel Tax Agreement (IFTA) and debt guarantee fees.

Miscellaneous

Miscellaneous revenue consists of all other recurring operational revenue not otherwise classified, including refunds of prior-years' expenditures, recovery of loans, and contributions by employees and others to retirement and insurance plans.

Miscellaneous revenue was higher than the Budget Estimate by $11.6 million, due to a $4.7 million return of surplus funds from the Workers' Compensation Board, a $6.5 million reversal of previous year's accruals related to the research and development tax credit, and a $0.4 million increase in casual revenue.

Canada Health Transfer

The Canada Health Transfer (CHT) assists provinces and territories in maintaining the national criteria and conditions in *The Canada Health Act*. Beginning in 2015-16, funding for the CHT is allocated on a strictly equal per-capita cash basis from the federal government to the provinces and territories; however, prior-year adjustments to tax points will continue to impact annual CHT cash receipts through 2016-17 when 2013-14 tax points are finalized.

CHT revenue was lower than the Budget Estimate by $12.1 million, or 1.1 per cent, primarily due to a slight decrease in Saskatchewan's share of the national population compared to the share assumed at budget.

Canada Social Transfer

The Canada Social Transfer (CST) assists provinces and territories in providing post-secondary education, social assistance and social services, including early childhood development and early learning and child care. Funding for the CST is made up of equal per-capita cash payments from the federal government to the provinces and territories.

Other Transfers from the Federal Government

Other federal transfer revenue consists of a legislated subsidy from the Government of Canada, as well as various federal-provincial cost-sharing agreements, including federal funding for targeted initiatives that are funded via third-party trusts and one-time payments.

Revolving Funds

The Ministry is responsible for the Public Employees Benefits Agency (PEBA) Revolving Fund that accounts for the administration costs of the various pension plans and benefit programs administered by PEBA. The costs incurred by the Fund for providing services are allocated to, and reimbursed primarily by, various pension and benefit plans. For more information about this Fund, please visit the following website: http://www.peba.gov.sk.ca/about/annual-reports.html

For More Information

If you have any questions or comments, please call 1-866-862-6246.

For additional copies of this Annual Report, call 306-787-6623.

Information on all Saskatchewan Finance programs and services, as well as this Annual Report, can be accessed at www.saskatchewan.ca/finance

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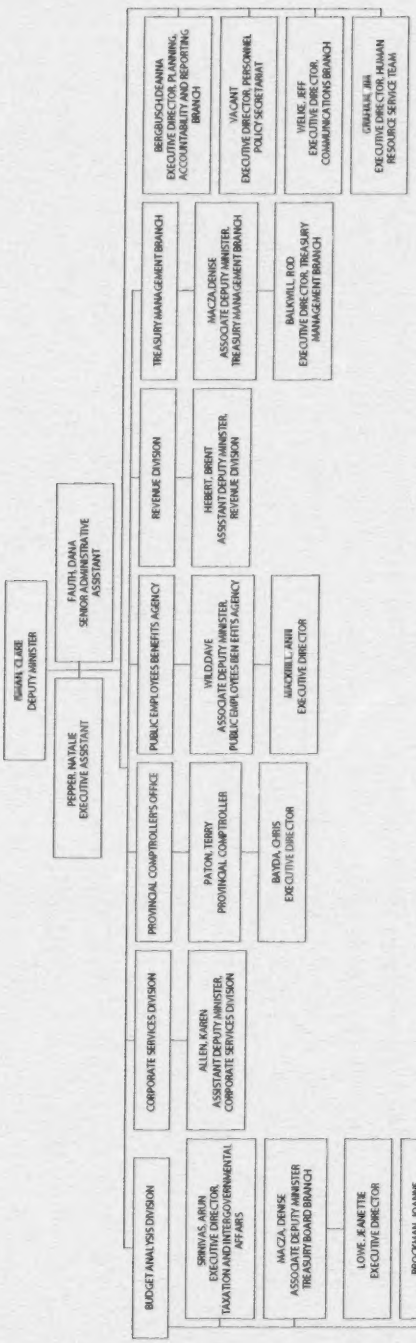
Appendices

Appendix A: Organizational Chart



Appendix B: Legislation

Under Order-in-Council No. 239/2015 dated May 21, 2015, the Minister of Finance is responsible for the following Acts of the Legislative Assembly:

Accounting Profession Act
Certified Management Consultants Act
Corporation Capital Tax Act
Financial Administration Act, 1993
Fuel Tax Act, 2000
Growth and Financial Security Act
Home Energy Loan Act
Income Tax Act
Income Tax Act, 2000
Insurance Premiums Tax Act
Liquor Consumption Tax Act
Members of the Legislative Assembly Benefits Act
Motor Vehicle Insurance Premiums Tax Act
Municipal Employees' Pension Act
Municipal Financing Corporation Act
Political Contributions Tax Credit Act
Provincial Auditor Act
Provincial Sales Tax Act
Public Employees Pension Plan Act
Public Service Superannuation Act
Revenue and Financial Services Act
Saskatchewan Pension Annuity Fund Act
Saskatchewan Pension Plan Act
Statistics Act
Superannuation (Supplementary Provisions) Act
Tobacco Tax Act, 1998

Although not listed in the Order-in-Council, the Minister is also responsible for *The Appropriation Act*.